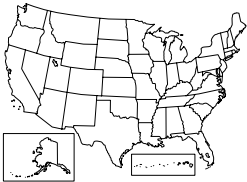


MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- **Retail sales** fell at an annual rate of 0.5% in May, but were 6.3% above the level one year ago. As during April, sales at gasoline stations led the year-over-year increase, growing 13.4% from May 2004, followed by nonstore retailers at 11.9%. The monthly decline reflected declines in sales at motor vehicle and parts dealers, which fell at a 1.6% annual rate, and at gasoline stations, where sales also fell at a 1.6% annual rate, reflecting slightly lower gasoline prices.
- **Motor vehicle sales** fell 4.5% between April and May, and were 5.4% below the level one year ago. Compared with May 2004, automobile sales were down 4.6% and light truck sales were 7.0% lower, with sales of domestically manufactured vehicles falling more rapidly than sales of imported vehicles. Only the heavy truck segment exhibited year-over-year growth, with sales 15.9% above the May 2004 level.
- A variety of economic indicators continue to point to weakness in the U.S. economy. The **University of Michigan's Consumer Sentiment index** fell for a fifth consecutive month, dropping 0.9% in May and 10.5% below the level in December 2004. The **Conference Board's index of leading economic indicators** fell 0.5% in May and now has declined at an annual rate of 2.2% over the last six months. The **Economic Cycle Research Institute's leading indicator** also fell again in May and is 1.8% below the March level.
- The **U.S. Consumer Price Index (CPI)** declined at a 0.6% annual rate in May from April, but was 2.8% above May 2004 level. Energy prices declined by more than the overall CPI decrease from April, although other sectors posted only weak price increases.



- **Michigan wage and salary employment** fell by 11,000 jobs from April to May, and the May level was 30,000 fewer jobs than in May 2004. Most of the monthly decline in employment reflected lower employment in the government and leisure/hospitality sectors (down 5,000 and 4,000 jobs, respectively). On a year-over-year basis, lower transportation equipment manufacturing employment accounted for two-thirds of the change, while job losses in the professional/business services sector more than accounted for the rest of the decline.
- **Michigan personal income per person** increased 2.5% in 2004, ranking 50th among the states. Georgia, Alaska, Nebraska, Missouri, South Carolina, and Texas rounded out the list of states with less than 4.0% growth. Michigan's growth rate was artificially lowered in 2004 due to a large boost in personal income during 2003 from payments the automakers made to reduce their unfunded pension liabilities. Most states with the highest growth rates (North Dakota, Iowa, South Dakota) benefited substantially from near-record crop production, combined with high prices (due to reduced production elsewhere and the lower dollar).
- Changes in **average weekly earnings in Michigan** were mixed in May, with manufacturing down 3.4% and wholesale trade down 6.2% from May 2004, while earnings in the information sector and financial activities sector were up 21.4% and 12.5%, respectively.



MAY 2005

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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

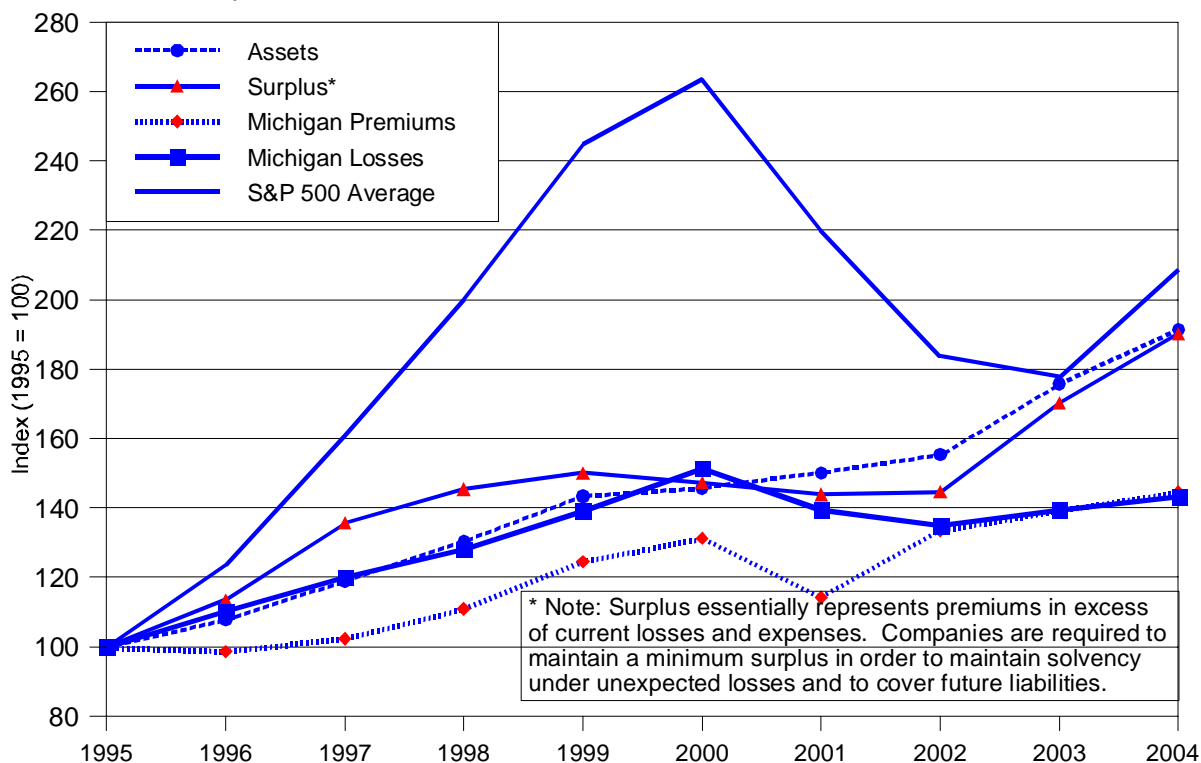
U.S.	May 2005	April 2005	May 2004	Change from April		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	149,122	148,762	147,018	360	0.2%	2,104	1.4%
Employment	141,475	141,099	138,846	376	0.3	2,629	1.9
Unemployment	7,647	7,663	8,172	(16)	(0.2)	(525)	(6.4)
Unemployment Rate	5.1%	5.2%	5.6%	---	---	---	---

Michigan	May 2005	April 2005	May 2004	Change from April		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,130	5,142	5,078	(13)	(0.2)%	52	1.0%
Employment	4,766	4,781	4,724	(14)	(0.3)	42	0.9
Unemployment	363	362	353	2	0.4	10	2.8
Unemployment Rate	7.1%	7.0%	7.0%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Michigan Insurance Premiums Growth Similar to Growth in Losses

Assets & Surplus Growth Exceeds Premiums & Losses, Weak Relation to Stocks



Source: Michigan Office of Financial and Insurance Services

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	May 2005*	April 2005	May 2004	<u>Change from April</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,369	4,380	4,400	(11)	(0)%	(30)	(1)%
Goods Producing Industries	880	879	901	1	0	(21)	(2)
Natural Resources & Mining	9	8	8	0	5	1	9
Construction	189	190	190	(1)	(1)	(2)	(1)
Manufacturing	682	680	702	2	0	(20)	(3)
Transportation Equipment	244	242	262	2	1	(19)	(7)
Service Producing Industries	3,490	3,501	3,499	(12)	(0)	(9)	(0)
Trade, Transportation & Utilities	813	815	813	(2)	(0)	1	0
Information	65	65	68	(0)	(1)	(4)	(5)
Financial Activities	218	218	217	0	0	1	1
Professional & Business Services	568	569	583	(1)	(0)	(15)	(3)
Education & Health Services	556	555	555	1	0	1	0
Leisure & Hospitality Services	408	412	403	(4)	(1)	6	1
Other Services	179	180	178	(1)	(0)	1	1
Government	682	687	682	(5)	(1)	(0)	(0)

Source: Bureau of Labor Statistics, U.S. Department of Labor

* Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	May 2005	Year Ago	Percent Change	May 2005	Year Ago	Percent Change
Construction	37.1	38.0	(2.4)%	\$ 810.26	\$ 820.42	(1.2)%
Manufacturing	41.2	42.6	(3.3)	877.97	908.66	(3.4)
Durable Goods	42.0	43.4	(3.2)	956.76	984.75	(2.8)
Motor Vehicle Manufacturing	42.6	41.1	3.6	1,294.19	1,249.03	3.6
Motor Vehicle Parts Manufacturing	42.6	45.7	(6.8)	1,162.98	1,260.86	(7.8)
Nondurable Goods	38.1	39.0	(2.3)	573.41	588.90	(2.6)
Wholesale Trade	36.0	38.2	(5.8)	679.68	724.65	(6.2)
Retail Trade	29.7	29.5	0.7	349.27	339.84	2.8
Grocery Stores	26.0	24.7	5.3	224.38	217.11	3.3
General Merchandise Stores	29.1	28.7	1.4	300.60	295.04	1.9
Information	37.4	32.4	15.4	671.70	553.07	21.4
Financial Activities	34.0	34.4	(1.2)	599.76	533.20	12.5
Prof. & Business Services	34.9	36.1	(3.3)	622.27	602.15	3.3
Health Care & Social Assistance	34.0	34.6	(1.7)	548.42	547.72	0.1
Leisure & Hospitality	23.1	22.9	0.9	186.42	187.09	(0.4)
Auto. Repair & Maintenance	36.1	35.2	2.6	544.75	545.60	(0.2)
Personal & Laundry Services	27.4	27.5	(0.4)	327.16	342.65	(4.5)

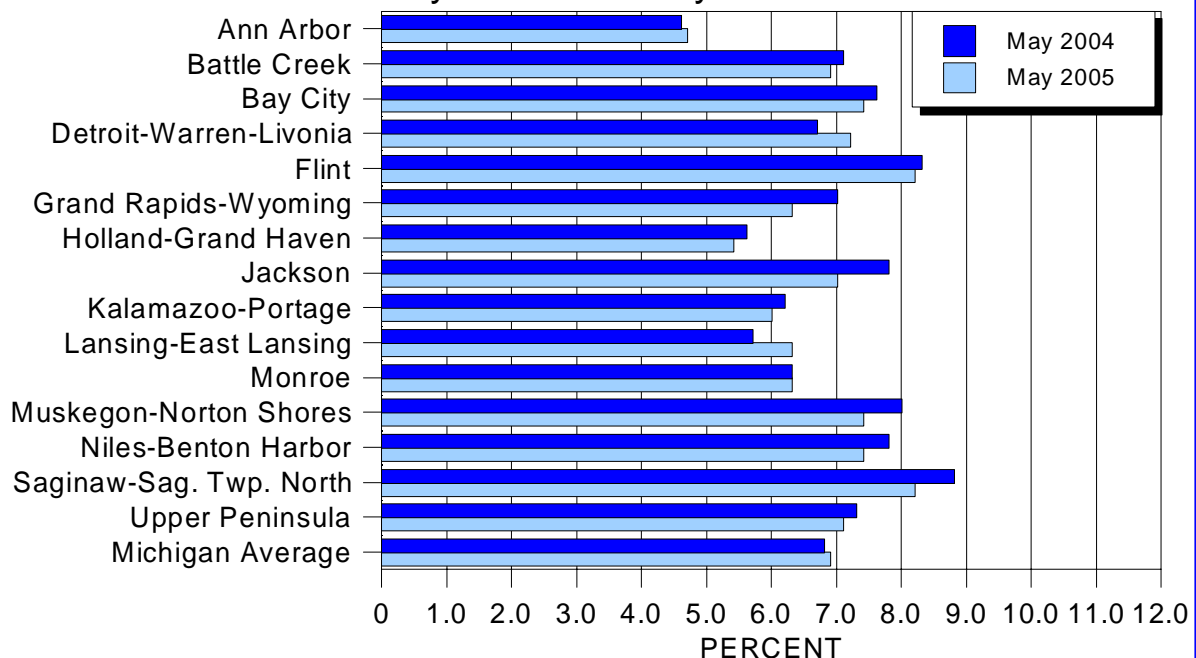
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	May 2005*	April 2005	March 2005	May 2004
Metropolitan Statistical Areas				
Ann Arbor	4.7%	4.1%	4.6%	4.6%
Battle Creek	6.9	6.2	6.6	7.1
Bay City	7.4	7.1	8.1	7.6
Detroit-Warren-Livonia	7.2	7.1	7.9	6.7
Flint	8.2	7.6	8.7	8.3
Grand Rapids-Wyoming	6.3	5.7	6.6	7.0
Holland-Grand Haven	5.4	4.8	5.7	5.6
Jackson	7.0	6.2	7.0	7.8
Kalamazoo-Portage	6.0	5.2	6.1	6.2
Lansing-East Lansing	6.3	5.2	6.1	5.7
Monroe	6.3	5.8	6.3	6.3
Muskegon-Norton Shores	7.4	6.7	7.5	8.0
Niles-Benton Harbor	7.4	6.5	7.5	7.8
Saginaw-Saginaw Twp North	8.2	7.7	8.7	8.8
Multi-County Areas				
Northeast Lower Michigan	7.9	9.2	11.2	8.3
Northwest Lower Michigan	6.7	7.1	8.7	7.1
Upper Peninsula	7.1	7.8	8.5	7.3
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	6.9	6.7	7.6	6.8
Source: Michigan Department of Labor and Economic Growth				*Preliminary.

Michigan Regional Unemployment Rates

May 2004 and May 2005

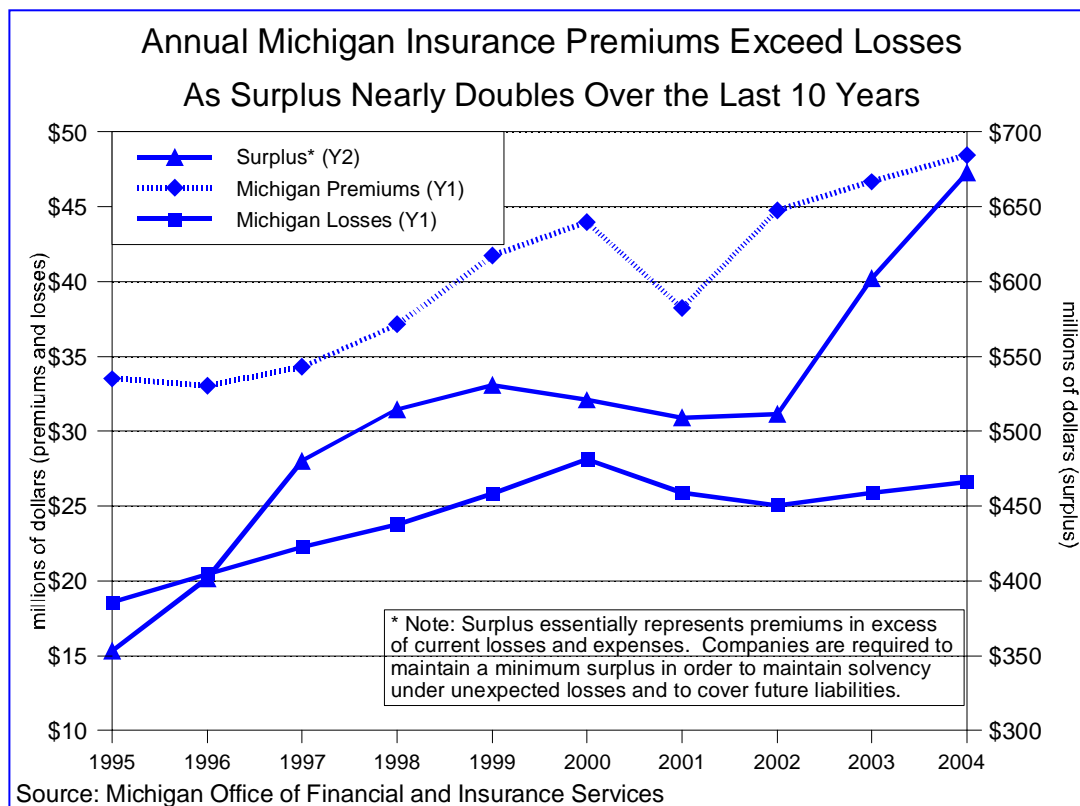


Source: Michigan Department of Labor and Economic Growth

MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units)

	May 2005	Apr. 2005	Mar. 2005	Feb. 2005	Year Ago May	Percent Change From:	
						May/Apr.	May 2005/ May 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,551	8,157	7,683	7,363	7,914	(7.4)%	(4.6)%
Domestics	5,330	5,815	5,512	5,250	5,650	(8.3)	(5.7)
Imports	2,221	2,342	2,171	2,113	2,264	(5.2)	(1.9)
Import Share	29.4%	28.7%	28.3%	28.7%	28.6%	---	---
Light Trucks	9,066	9,247	9,119	8,891	9,748	(2.0)	(7.0)
Domestics	7,844	7,978	7,917	7,643	8,492	(1.7)	(7.6)
Imports	1,222	1,269	1,202	1,248	1,256	(3.7)	(2.7)
Import Share	13.5%	13.7%	13.2%	14.0%	12.9%	---	---
Heavy Trucks	466	476	475	496	402	(2.1)	15.9
Total	17,083	17,880	17,277	16,750	18,064	(4.5)	(5.4)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,112	4,094	4,375	4,556	4,158	0.4	(1.1)
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,051	1,511	1,052	1,334	1,152	(30.5)	(8.8)
Trucks	1,246	1,450	1,250	1,383	1,176	(14.1)	5.9
Total	2,296	2,960	2,302	2,717	2,328	(22.4)	(1.4)
Michigan Production as % of U.S.	20.8%	23.6%	21.3%	22.5%	21.2%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,394	1,485	1,547	1,602	1,633	(6.2)	(14.7)
Days Supply	47	55	57	77	56	(14.5)	(16.1)
Total Truck	2,437	2,495	2,465	2,387	2,515	(2.3)	(3.1)
Days Supply	74	87	79	102	75	(14.9)	(1.3)

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	May	132.4	133.9	132.5	(1.1)%	(0.1)%
Coincident Index ¹⁾ (1992=100)	May	146.9	146.6	142.0	0.2	3.5
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	May	2,009	2,005	1,974	0.2	1.8
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	May	\$310.0	\$311.6	\$291.8	(0.5)	6.3
Industrial Production Index ³⁾ (1997=100, seasonally adjusted)	May	118.6	118.2	115.5	0.4	2.7
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	May	79.4	79.1	78.2	0.3	1.5
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	May	194.1	194.2	188.8	(0.6)	2.8
Detroit (not seasonally adjusted)	Apr	189.8	187.8	184.7	6.6	2.8
Interest Rates						
3-month Treasury Bill ³⁾	May	2.86%	2.79%	1.04%	---	---
Corporate Aaa Bonds ³⁾	May	5.15%	5.33%	6.04%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	1st Qtr. 2005	\$11,096.2	\$10,994.3	\$10,697.5	3.8	3.7
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	May 2005	\$1,674.9	\$1,601.8	\$1,229.1	NM	36.3

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

